

**REPORT TO THE
CITY COUNCIL**
City of Salinas, California

DATE: June 14, 2016

FROM: Matt N. Pressey, CPA, Finance Director

BY: Miguel Obregon Gutierrez, Assistant Finance Director

SUBJECT: **APPROPRIATIONS LIMIT FOR FISCAL YEAR 2016-17**

RECOMMENDATION:

It is recommended that the City Council adopt a resolution establishing the Appropriations Limit for the City of Salinas for FY 2016-17 at \$222,194,735 pursuant to Article XIIB as amended by Proposition 111.

DISCUSSION:

Article XIIB of the California Constitution, which limits the annual appropriation of proceeds from taxes for governmental entities, was amended by the passage of Proposition 111. Proposition 111 provides through Senate Bill 88, the enabling legislation, several options for calculating the annual change in the appropriations limit. First the City must select one of two methods to change the limit based on population increase. The options are: (1) the change in population in the City, or (2) the change in population for the entire County. Since the City's population has increased at a faster rate than the County's, we are using the City's population percentage increase as provided by the State Department of Finance. Second, the City must decide whether to use (1) the change in California's cost of living, or (2) the change in total assessed value due to non-residential construction within the City. Since the assessed value change is not available from the County, we are using the change in California cost of living as provided by the State Department of Finance.

For FY 2016-17, the appropriation limit factors recommended for use by the City are as follows:

City population percentage increase +0.98%

California cost of living factor +5.37%

In accordance with Proposition 111, these annual changes must be approved by a recorded vote of the Council. The attached worksheet provides the detail calculations.

Guidelines for the implementation of Article XIIB were provided by the League of California Cities and have been used in calculating the annual appropriations limit. Additionally, data reflecting changes in population and cost of living has been provided by the State Department of Finance.

For the City of Salinas, the appropriations limit for FY 2016-17 has been calculated at \$222,194,735. The portion of the City's budget that is subject to the appropriation limit (the proceeds of taxes) totals \$111,317,420 and is well within the appropriations limit.

ISSUE:

Shall the City Council adopt the attached resolution establishing the appropriation limit for the City of Salinas for FY 2016-17 at \$222,194,735?

FISCAL IMPACT:

The Appropriation Limit has no fiscal impact due to the large margin between the Limit and our Proceeds of Taxes. It shows that the City has plenty of room for growth.

ALTERNATIVES:

- 1) Approve Appropriations Limit as required by State Constitution.
- 2) Not approve Appropriations Limit. Since the Appropriations Limit is a requirement of the State Constitution this action is not recommended.

CITY COUNCIL GOALS:

The proposed appropriation limit supports the City Council Goal of Effective, Sustainable Government by providing accountability and transparency in keeping with State legal requirements. In addition, maintains the process that fosters fiscally responsible management and accountability.

CONCLUSIONS:

The appropriations limit is a requirement of the State Constitution and staff recommends that Council adopt the attached resolution establishing the appropriations limit at \$222,194,735 for FY 2016-17.

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